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Phantom

31st Annual Report

for the year ended

December 31st, 1959

NATIONAL HOSIERY MILLS LIMITED

National Hosiery Mills, Limited

and its wholly-owned Subsidiary Companies

THE CELTIC KNITTING COMPANY, LIMITED, MONTREAL, QUEBEC
NORDIC HOSIERY LIMITED, MONTREAL, QUEBEC
GLOBE PROCESSING LIMITED, MONTREAL, QUEBEC

Board of Directors

E. B. Eastburn, Hamilton, Ont.
H. P. Frid, Hamilton, Ont.
Walter Hardie, Hamilton, Ont.
A. C. Howatson, Montreal, Quebec
J. G. Langs, Hamilton, Ont.
A. I. Pannabecker, Hamilton, Ont.
J. B. Ridley, Toronto, Ont.

Officers

E. B. Eastburn, President and Treasurer
A. C. Howatson, Vice-President
Walter Hardie, Secretary

Directors of Subsidiary Companies, not on the Board of the Parent Company

E. D. Gordon, Montreal, Quebec
E. A. Gordon, Montreal, Quebec

Head Office Hamilton, Ontario

Plants Hamilton, Ontario; Montreal, Quebec; Granby, Quebec; Richmond, Quebec; Bedford, Quebec

Auditors McDonald, Currie & Co., Hamilton, Ontario

Registrar & Transfer Agent
National Trust Company Limited, Toronto, Ontario

Report to the Shareholders

Phantom

The following brief comments remind us of what has faced our industry during the past few years.

Gradual installation of modern high-speed machines finally, some six or seven years ago, resulted in production of fine ladies' full-fashioned hosiery exceeding demand. This and dumping from abroad precipitated severe price cutting.

About the same time, quality seamfree hose were introduced into Canada. To meet a growing demand for this product, new circular knit machinery had to be purchased. This further aggravated the existing overproduction, and chaotic market conditions have prevailed. Some mills have been forced to the wall and others have discontinued production.

Distress continued through 1959, accompanied by further price deterioration. Fortunately there are some signs that this painful process may have about run its course.

Your company while riding out the storm has maintained its facilities in top grade condition. This is one of your directors' primary obligations.

With the seamfree demand now about equaling that for full-fashioned, idle equipment for the production of the latter has added to over-all costs. To help provide a remedy the Richmond, Quebec, plant was closed in October and its full-fashioned capacity consolidated with that of the Bedford, Quebec, plant of the Nordic division. The Richmond property is for sale.

Even at the lower existing prices, dollar sales volume of your company increased over the previous year. This was also the case in the Celtic division's business in socks, anklets and sport hose.

Profits in the attached Statement of Profit and Loss of $78,354 are reduced from those of $202,196 for 1958.

The attached Balance Sheet shows increased inventories at $2,247,120 ($1,978,075, 1958) and decreased accounts receivable $646,203 ($672,769, 1958). It also makes provision for the issue and sale of the $500,000 5½% First Mortgage Serial Bonds (1959 Issue) referred to in the Annual Report for last year. A bank overdraft of $685,009 compares with $586,619 for 1958.

Capital expenditures of $177,500 were necessary mainly to increase seamfree production, making a total of $762,500 for the past four years. No substantial further expenditures of this nature are contemplated.

Under the above circumstances, your directors deemed it wise not to pay dividends unless earned. Hence, the dividend on Class "B" shares on April 1, 1960, was 4 cents per share, as against the previous quarterly payment of 8 cents per share. The preferential quarterly dividend of 5 cents per share on Class "A" shares was continued.

The establishment of necessary economies continues to require the co-operation and understanding of all. Your Directors asknowledge the part played by management, employees and customers in coping with the difficult conditions.

I respectfully submit this report on behalf of the Board of Directors,

E. B. EASTBURN, President.

April 14, 1960

Auditors' Report to the Shareholders

We have examined the Consolidated Balance Sheet of National Hosiery Mills, Limited and its wholly-owned Subsidiary Companies as at 31st December 1959 and the Consolidated Statements of Profit and Loss and Earnings Retained in the Business for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Consolidated Balance Sheet and Consolidated Statements of Profit and Loss and Earnings Retained in the Business, when read in conjunction with the notes appended thereto, present fairly the financial position of the Companies as at 31st December 1959 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

Hamilton, 4th April 1960.

NOTES TO THE FINANCIAL STATEMENTS

1. National Hosiery Mills, Limited, together with Nordic Hosiery Limited at 30th January 1956, jointly guaranteed an issue of $500,000 4½% First Mortgage Bonds of The Celtic Knitting Company, Limited. These Bonds are repayable $80,000 yearly until 30th January 1961, with a final repayment of $100,000 on 30th January 1962.

2. The Company and its subsidiaries intend to claim Capital Cost Allowance for income taxe purposes of $57,992 in excess of depreciation taken in the Companies' accounts. This higher amount of Capital Cost Allowance has decreased the current income tax provision and increased net profit for the year by approximately $24,000. Capital Cost Allowance claimed or intended to be claimed exceeds depreciation recorded in the accounts by $213,858. The accumulated amount by which income taxes have been reduced in this way is $92,000.

NATIONAL HOSIERY MILLS, LIMITED
(Incorporated under the laws of Ontario)
and
Its wholly-owned Subsidiary Companies
THE CELTIC KNITTING COMPANY, LIMITED and NORDIC HOSIERY LIMITED
(Incorporated under the laws of Canada) (Incorporated under the laws of Canada)
and
GLOBE PROCESSING LIMITED
(Incorporated under the laws of Quebec)

CONSOLIDATED BALANCE SH

Assets

Current Assets

Cash		$ 2,887
Marketable Securities—at Cost (approximate Market Value $1,840)		2,000
Accounts Receivable, less Provision for Doubtful Accounts		646,203
Inventories of Raw Materials, Work in Process, Finished Goods and Supplies—at the lower of Estimated Cost or Market		2,247,120
Prepaid Expenses		15,725
		$ 2,913,935

Other Assets

Life Insurance—Cash Surrender Value	36,462
Non-Marketable Investment—at Cost, and Deferred Account Receivable	41,198

Fixed Assets

Land—at Cost		$ 39,433
Buildings, Plant and Equipment—at Cost	$ 5,807,748	
Accumulated Depreciation	3,916,972	1,890,776
		1,930,209
		$ 4,921,804

Approved on behalf of the Board:

E. B. EASTBURN
WALTER HARDIE } *Directors*

ET AS AT 31st DECEMBER 1959

Liabilities

Current Liabilities				
Bank Overdraft				$ 685,009
Accounts Payable and Accrued Liabilities				337,010
Income and Other Taxes				140,410
4½% First Mortgage Bonds due 30th January 1960				205,000
Dividends Payable				29,106
				$ 1,396,535
First Mortgage Bonds				
4½% 1956 Issue				
Authorized and Issued—maturing 30th January 1957-62		$ 700,000		
Redeemed	$ 375,000			
Included in Current Liabilities	125,000	500,000	$ 200,000	
5½% 1959 Issue				
Authorized and Issued—maturing 1st March 1963-65			500,000	
4½% 1956 Issue				
Authorized and Issued by a Subsidiary Company—maturing 30th January 1957-62 (Note 1)		$ 500,000		
Redeemed	$ 240,000			
Included in Current Liabilities	80,000	320,000	180,000	880,000
				$ 2,276,535
Shareholders' Equity				
Capital Stock				
Authorized and Issued				
13,500 Class A Shares of no par value carrying a fixed cumulative preferential dividend of 20¢ per share per annum and convertible share for share into Class B Shares (6,714 Shares converted into Class B Shares including 33 Shares converted during the year)			$ 462,442	
355,437 Class B Shares of no par value				
Excess of Net Asset Value of Subsidiaries over purchase price at date of acquisition			307,384	
Earnings retained in the business			1,875,443	2,645,269
				$ 4,921,804

NATIONAL HOSIERY MILLS, LIMITED

and

Its wholly-owned Subsidiary Companies

THE CELTIC KNITTING COMPANY, LIMITED

NORDIC HOSIERY LIMITED and GLOBE PROCESSING LIMITED

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

FOR THE YEAR ENDED 31st DECEMBER 1959

BALANCE—31st DECEMBER 1958		$ 1,957,961
Additional Income Taxes in respect of prior years		44,450
		$ 1,913,511
Net Profit for the year		78,354
		$ 1,991,865
Dividends Paid		
Class A Shares, four quarterly dividends of 5¢ a share	$ 2,703	
Class B Shares, four quarterly dividends of 8¢ a share	113,719	
		116,422
BALANCE—31st DECEMBER 1959		$ 1,875,443

NATIONAL HOSIERY MILLS, LIMITED

and

Its wholly-owned Subsidiary Companies

THE CELTIC KNITTING COMPANY, LIMITED

NORDIC HOSIERY LIMITED and GLOBE PROCESSING LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31st DECEMBER 1959

Profit from Operations, before providing for undernoted items		$ 375,097
Investment and Rental Income		1,855
		$ 376,952
Provision for Depreciation	$ 202,490	
Interest on Bonds	49,690	
Loss on Disposal of Fixed Assets	2,718	
		254,898
		$ 122,054
Provision for Taxes on Income (see Note 2)		43,700
Net Profit for the year (see Note 2)		$ 78,354

Note: The following items are included in the Operating Charges deducted before determining the Profit from Operations:

Remuneration of Executive Officers and Salaried Directors	$ 56,280
Other Directors' Fees	1,920

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